

Two U Boats Are Reported Sunk Off Virginia

Probably fair and cooler to-night and Wednesday.

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BIG AUSTRIAN GAIN REPORTED; ROME ANNOUNCES LINE IS HELD

ARMY OFFICER SEIZED HERE IN SEARCH FOR WAR GRAFT; 50 OFFICES IN N. Y. RAIDED

Contracts With Dummy Firms
Unearthed in Exposure of
Nation-Wide Extortion.

TOTAL IN MILLIONS.

Washington Gets Thousands
of Papers Showing Illegal
Fees Up to 20 Per Cent.

The arrest of an army officer by Dr. John E. De Mund and Sidney B. Pfeiffer, special agents of the Treasury Department, acting in co-operation with the Department of Justice, was made this morning in this city in connection with the nation-wide hunt for graft in contracts for war goods and supplies for the Government.

The arrest, it was stated, is the forerunner of many more.

Contractors have been acting in concert with the grafters, and some of the contractors have acknowledged that they were in the ring and have told Government officials that it was impossible to get army contracts in Washington without submitting to graft. When the word was given at 4 o'clock yesterday afternoon to raid the manufactories and contractors' offices all over the United States, the special agents and operatives in New York were in readiness for the signal.

At 4 o'clock to the minute fifty houses in Manhattan, Brooklyn and Queens were swooped down upon by Special Agents De Mund and Pfeiffer. They had to aid them 100 operatives furnished by the American Protective League, which has lent its services to the Department of Justice for the last year.

With amazing quickness offices were entered and books and papers seized, carried to automobiles and hurried to the office of the Department of Justice in the Park Row Building; and from there forwarded to Washington. All necessary papers are now in the hands of the Treasury Department.

CONTRACTS WITH DUMMY FIRMS REVEALED.

Not all the houses raided were beacons of their books and papers. A great many of them were found, in the hasty examination permitted, to be free from the stigma of graft. The papers of these houses were untouched. In other places it was found that contracts for supplies had been given to dummy firms and corporations, behind which were the employees of the stenographers, accountants and other office employees substituting the dummy firms.

Included in the list of contractors raided were those holding contracts for clothing, machinery, hardware, uniforms, coats, slickers, and ship-building.

Raiders in this city were in progress again to-day and evidence, it was said, was being gathered against men high in the army service. That the headquarters of the ring is in Washington there is no doubt, according to the investigators; and that the grafters could carry out their promises to



JEREMIAH O'LEARY. PHOTOGRAPHED TO-DAY.

AMERICANS' DOOM FOE'S CHIEF HOPE, SAYS BONAR LAW

Troops' Rapid Arrival Thwarted
German Scheme to
Use Up Allied Reserve.

LONDON, June 18.—"The results have justified the unity of command," Chancellor Bonar Law declared in the House of Commons this afternoon.

"It was a part of the German scheme to use up the Allied reserves before the arrival of the Americans. It has failed. The Americans are in!"

The statement was greeted by an outburst of cheering.

Mr. Bonar Law read extracts from the minutes of the last Supreme War Council which was held at Versailles to support his statements.

The Chancellor said that American troops were pouring into France and had reached a figure which a few months ago would have been thought impossible. American military cooperation, he continued, would not be limited by the lack of transports.

The Allies have been forced to give much ground, Mr. Bonar Law said, but the enemy has not attained one strategic object.

"After three days of attack the Austrian offensive has not secured the objectives hoped for on the first day," said Mr. Bonar Law regarding the Italian front. He added that there was reason to believe that the initiative for the Austrian offensive had come from Berlin.

The Chancellor said that during April and May the world's production of ships exceeded their destruction for the first time since the inauguration of submarine warfare.

NAVAL GUNNERS HIT U BOAT WHEN U. S. SHIP IS ATTACKED OFF THE VIRGINIA CAPES

DECLARES O'LEARY WAS HALF CRAZED AS HE FLED WEST

Lyons, Witness at John
O'Leary's Trial, Says Jerem-
iah Feared U. S. Agents.

While Jeremiah O'Leary, brought back from Sara, Washington, this morning to answer charges of treason and espionage, was being arraigned before Judge Learned Hand, in an adjoining courtroom in the Federal Building Arthur L. Lyons was relating to the witness stand the story of Jerry's flight to the northwest. The return of the fugitive lent added interest to the trial of his brother, John, for conspiracy to obstruct justice in aiding his escape.

When Jeremiah O'Leary was arraigned he pleaded not guilty. The court announced that there was no bail in such cases, and O'Leary was committed to the Tomb.

Lyons was the first witness called by the Government to-day. He was Jeremiah O'Leary's confidential investigator in his law business, and was one of the principal figures in the Irish agitator's attempt to flee from justice.

The trip to Washington was a nightmare for Lyons, according to Lyons's testimony. O'Leary was crazed by the fear of Government agents, he said, and saw Secret Service men in every railway compartment, in every hotel lobby. Half way across the continent he changed his plans and Lyons said he was "forced to give in continually to the aberrations of the half-crazed fugitive."

Lyons was nervous and fidgety when he appeared in the court room this morning in custody of an agent for the United States Department of Justice. His nervousness soon wore off as soon as he took the witness stand, however, and under questioning of Assistant United States Attorney Earl B. Barnes he told the story of the flight distinctly and with scrupulous regard for detail.

TRACE O'LEARY'S ACTIONS BEFORE HIS DISAPPEARANCE.

The actions of Jeremiah O'Leary the three days preceding his disappearance were traced in detail by Lyons, who was with him much of the time. On May 3 Lyons testified, Jeremiah called him to the O'Leary home, at No. 1229 Madison Avenue, and told him he was being shadowed by Secret Service men, and invited him for a walk to prove it. After walking about a block Jerry stopped and pointed to a man some distance behind. "There's one," he said.

On the night of May 6, John O'Leary called at Lyons's home, No. 146 East 13th Street, Brooklyn, and took him in an automobile to the O'Leary home, where they were joined by Jerry, according to the witness. Then followed, according to Lyons's

Another German Raider Re-
ported Sunk by American
Submarine.

OIL RISES TO SURFACE.

Crash of Torpedo Explosion
Heard Through Microphone
of U. S. Craft.

AN ATLANTIC PORT, June 18.—Members of the crew of an American steamship arriving here to-day reported an engagement with a German submarine off the Virginia Capes yesterday in which the ship's naval gunners made a clean hit and either sank the undersea craft or disabled her. The American vessel was not damaged.

A feat rarely accomplished in this war—the sinking of a submarine by another submarine—was reported to-day to the credit and glory of an American under-sea boat operating against the Germans off the Virginia Capes last Friday.

Officers of an American liner, arriving at an Atlantic port to-day from Havana, were told the story of the submarine's victory by the officers of the American conquering craft while the passenger ship lay at anchor inside the Capes, whether she had sought shelter after warning of the presence of German prowlers.

"We put into Chesapeake Bay on Monday," said the one relating the story of the strange combat, "and anchored close to a submarine mother-ship. Alongside this craft an American 'sub' was lying. Officers of the submarine visited our ship and told us of their exploit."

"They were cruising off the Capes on Friday, they said, submerged and with only their periscopes showing; their object was to encounter one of the German raiders, if possible, and engage him. They caught sight of a submarine slowly cruising, awash, approached undetected, took their bearings and then let go a torpedo."

"Through the microphones they heard the crash of the explosion, indicating a hit. The American 'sub' immediately rose to the surface and made slowly ahead. Soon it came to a patch of black oil on the surface of the sea, which spelled the doom of the German. There was not a survivor, nor a scrap of wreckage—just this grim patch of oil to mark the passing of the enemy ship."

NO CHANCE OF PEACE ON JUST BASIS YET SHOWN, SAYS ORLANDO

Annihilation of Italian People Pre-
erable to Dishonorable Settle-
ment, He Tells Deputies.

ROME, June 18.—"Annihilation of the Italian people is preferable to a dishonorable peace," Premier Orlando declared, in addressing the Chamber of Deputies yesterday.

ITALIAN TROOPS DRIVEN BACK THREE MILES AT SOME POINTS

24,000 GERMAN TROOPS CUT TO PIECES BY AMERICANS IN MARNE FRONT BATTLE

Some Companies So Riddled That
Only Forty Men Are Left—
One Battalion Loses All Its Of-
ficers Except One.

WITH THE FRENCH ARMIES IN THE FIELD, June 18 (United Press).—American troops inflicted great losses on two German shock divisions (24,000 men) in the recent fighting on the Marne front, according to German prisoners.

Some companies were reduced to forty infantrymen. Others lost twenty-five out of sixty-one riflemen. One of the machine gun sections was reduced from seventeen to five men. One battalion of the Fourth Fusiliers lost all its officers except one.

THIRTEEN AMERICAN SOLDIERS AMBUSHED BY 40 GERMANS; NEARLY ALL GET BACK--WOUNDED

Pershing Cables Details of How They Out-
fought a Greatly Superior Force.
[AMERICAN REPORT]

WASHINGTON, June 18.—The following communique from Gen. Pershing was made public to-day:

On the night of June 13 and 14 an American patrol of thirteen men operating in Picardy ran into an ambush of forty Germans. Despite inferiority in numbers, the greater part of our patrol cut its way through the enemy and returned to our lines. Fierceness of the fighting may be judged from the fact that nearly all of our men who returned had been wounded.

"Particulars concerning destruction of hostile planes of June 13 as reported in the communique of June 14 are as follows:

"Destruction of one of the German planes occurred during the course of the fight between the American patrol and a group of twelve to fifteen German Albatross scouts. It has not as yet been definitely stated to whom credit for the destruction of the plane, officially confirmed by the French Air Corps, is due. The second hostile plane was destroyed at 8:15 o'clock in the morning near St. Mihiel. Here an enemy biplane of the Hanover type was attacked by Lieuts. Meissner, Winslow and Taylor. During the course of the fight the German plane turned over, burst into flames and was seen to crash."

"There have been no important developments at any of the points occupied by our troops."

"In Picardy, in the Chateau-Thierry region and in the Woivre, artillery fighting of moderate intensity has occurred."

"Patrols have been active in Picardy, in Lorraine and in the Vosges, where a hostile raid was broken up by our fire during the night."

NAVY OF 131,485 MEN IS APPROVED BY HOUSE

WASHINGTON, June 18.—Permanent increase of the enlisted personnel of the navy from 87,180 to 131,485, as provided in the Naval Appropriation Bill as it passed the Senate was approved to-day by the House.

Chairman Padgett of the Naval Committee, who has been credited with opposing a permanent large navy, told the House that since the increase had been favored by Secretary Daniels, Admiral Benson and Rear Admiral Palmer, he would support it. "I heard the action will result in an increase of commissioned officers from 2,700 to 5,500, who with the additional men will enable the navy to man the new warships now building."

Reports to London Say the Austrians
Have Gained on Extreme Ends of
the Piave Line, Although Rome
Asserts the Whole Front Is Held.

LONDON, June 18.—The Austrians have driven forward again at the extreme ends of the Piave line and menace both Italian flanks in the river region, it was learned authoritatively this afternoon.

At Montello, the enemy has advanced four miles and occupied two-thirds of the high ground. If the occupation of the crest is completed, it is feared the Austrians might turn the whole Piave line, but the Italians are confident they can avoid this danger.

In the marsh land on the lower Piave, the Austrians have advanced on the 15-mile front between Zenson and the sea to the depth of three miles at several points. This thrust is a direct move upon Venice.

The Austrians, according to the Evening Standard, now occupy the west bank of the Piave from the Conegliano railway to the Zenson Bend. They have thrown fourteen bridges across the river. These are under the Italian fire.

The British held the post of honor in the mountains, and now well they rose to the occasion is shown by the remark of a correspondent that "the results of the enemy attack suggest that it was the British who carried out the most successful offensive."

The Austrians undoubtedly hoped to sweep into the plains and crush Italy, but the latter's achievement in resisting the first onslaught is assurance that she is capable of defending her position.

The Germans are not likely to permit the Austrians to slacken their efforts. Should they be compelled to send assistance, their strength on the western front would be correspondingly weakened.

AUSTRIANS HELD EVERYWHERE, SAYS THE WAR OFFICE IN ROME

Statement Issued at Midnight Declared That
Two Attempts to Cross Piave Were Blocked.

[ITALIAN REPORT]

ROME, June 18.—In their attacks between Zenson and Fossalta, along the Piave, the Austrians have been stopped everywhere, says an official statement issued at midnight by the Italian War Office. In the mountain region and around Montello there have been no infantry attacks by the enemy.

The Allied troops have taken several hundred additional prisoners and some machine guns. The official statement reads as follows:

"On the mountainous front and around Montello the enemy did not renew his infantry attacks. During the day a successful thrust was carried out by our troops. We occupied several positions, capturing machine-guns and some hundreds of prisoners."

"Important actions developed south of Montello and along the Piave in the zone between Zenson and Fossalta, but the enemy everywhere was stopped by our counter-attacks. Several hundred prisoners were left in our hands."

"Enemy attempts to cross the river between Maserada and Candelo (northeast of Treviso), were bloodily repulsed. On the Lower Piave other counter-offensive actions in the course of development resulted advantageously for us."

AUSTRIAN FORCE EXCEEDS 1,000,000.

Austria's entire effective military strength already has been thrown into the Italian drive, according to a semi-official statement to-day.

Of Austria's total of 92 divisions (1,104,000 men), 71 divisions (892,000 men), already have been identified on the Italian front. So far

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